

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

RECEIVED
Dec 21 4 04 PM '99
POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

COMPLAINT OF THE CONTINUITY
SHIPPERS ASSOCIATION

Docket No. C99-4

RESPONSE OF UNITED STATES POSTAL SERVICE
TO INTERROGATORIES OF
THE OFFICE OF THE CONSUMER ADVOCATE
(OCA/USPS-T0-1-5)

The United States Postal Service hereby provides its responses to the following interrogatories of the Office of the Consumer Advocate: OCA/USPS-1-5, filed on December 3, 1999.

Each interrogatory is stated verbatim and is followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
(202) 268-2999 Fax -5402
December 21, 1999

OCA/USPS-1. Please refer to the "Bulk Parcel Return Service Cost Study," dated October 29, 1998, as revised by USPS letter dated December 2, 1999 (herein "Revised BPRS Cost Study"). Each of the replacement pages attached to the December 2, 1999, letter are labeled "Revised" or "PRC Version." Those replacement pages labeled "Revised," and summarized in Table 3, show a total unit cost of 92.5 cents, while those replacement pages labeled "PRC Version," and summarized in Table 3, show a total unit cost of 103.8 cents.

- a. Please identify the correct (according to the Postal Service) total unit cost for the BPRS service in this proceeding. Please explain your rationale for selecting the total unit cost of 92.5 cents or the total unit cost of 103.8.
- b. Please identify the total unit cost the Postal Service believes should be used by the Postal Rate Commission as the basis for computing the cost coverage of the BPRS service in this proceeding. Please explain your rationale for selecting the total unit cost of 92.5 cents or the total unit cost of 103.8.

RESPONSE:

- a. The Postal Service's general position is that the appropriate measurement for reporting of BPRS costs for FY 1998 is 92.5 cents. Please see the response to part (b) regarding the appropriate costs to be used in evaluating the specific complaint in this proceeding.
- b. Since this proceeding is presumably limited to the issue of the appropriate cost coverage for BPRS, since the only established cost coverage for comparison is the originally assigned cost coverage, and since that cost coverage was developed using the PRC version of costs, the Postal Service believes that the cost of 103.8 cents should be used for the unique circumstance of this proceeding. Moreover, the other existing rates which the complainant uses as a basis for comparison were based on the same PRC costing methodology as the 103.8 cents.

OCA/USPS-2. Please refer to the Revised BPRS Cost Study.

- a. At page 1, Table 1, in the last column, please confirm that there are five mailers (e.g., mailers 2, 3, 5, 6, and 8) who pick up their bulk parcel returns from the Postal Service. If you do not confirm, please explain and identify which of the eight mailers pick up their bulk parcel returns from the Postal Service.
- b. At page 6, in the first sentence of the second paragraph under "D. Delivery Costs," it states that "Four of the eight BPRS recipients do not have their returns delivered to them by the Postal Service." Please reconcile this sentence with Table 1.
- c. In Exhibit E, column [3], please confirm that a "Cost per Delivery per Piece" of \$0.00 identifies mailers who pick up their bulk parcel returns from the Postal Service. If you do not confirm, please explain.
- d. In Exhibit E, column [3], Mailer 2 has a "Cost per Delivery per Piece" of \$0.04. In Table 1, Mailer 2 is identified as a mailer that picks up its bulk parcel returns from the Postal Service. Please reconcile Exhibit 3 and Table 1.

RESPONSE:

- a & b. Please refer to the erratum filed with the Commission today, regarding on Page 1, Table 1. In that table, the last column for Mailer 2 has been corrected to read "USPS." The cost numbers in Exhibit E are correct.
- c. Confirmed.
- d. See answer to a & b above.

OCA/USPS-3. Please refer to Revised BPRS Cost Study, Exhibit B. In the column "Wage Rate Adjustment Factor (FY96-FY98) [2],"

- a. Please identify the source(s) for the "FY 1998 wages" and "FY 1996 wages" used to calculate the wage rate adjustment factor of 1.10.
- b. Please identify the source(s) for the "FY 1998 wages" and "FY 1996 wages" used to calculate the wage rate adjustment factor of 1.05.
- c. Please identify the source(s) for the "FY 1998 wages" and "FY 1996 wages" used to calculate the wage rate adjustment factor of 1.02.

RESPONSE:

- a-c. Wage rates are from the National Payroll Summary Reports for A/P 13, FY 1996 and 1998.

Docket No. C99-4

OCA/USPS-4. Please refer to the Revised BPRS Cost Study, Exhibit E. Please confirm that the unit cost of delivery for BPRS can be calculated as follows:

$((\$0.0307075 * 6,510) + (\$0.0359070 * 4,050) + (\$0.00 * 2,730) + (\$0.0498708 * 4,500) + (\$0.00 * 3,800) + (\$0.00 * 1,200) + (\$0.0151607 * 839.2941) + (\$0.00 * 426)) / 24,055$.

If you do not confirm, please explain.

RESPONSE:

Confirmed.

OCA/USPS-5. Please refer to the Revised BPRS Cost Study, Exhibits B, C, D, E and F.

- a. In Exhibit B, please confirm that the unit cost of collection for BPRS parcels, in the amount of \$0.0433, is calculated from volume variable costs. If you do not confirm, please explain.
- b. In Exhibit B, please identify any fixed costs used in the calculation of the unit cost of collection for BPRS parcels.
- c. In Exhibit C, please confirm that the unit cost of mail processing for BPRS parcels, in the amount of \$0.4809, is calculated from volume variable costs. If you do not confirm, please explain.
- d. In Exhibit C, please identify any fixed costs used in the calculation of the unit cost of mail processing for BPRS parcels.
- e. In Exhibit D, please confirm that the unit cost of transportation for BPRS parcels, in the amount of \$0.3367, is calculated from volume variable costs. If you do not confirm, please explain.
- f. In Exhibit D, please identify any fixed costs used in the calculation of the unit cost of transportation for BPRS parcels.
- g. In Exhibit E, please confirm that the unit cost of delivery for BPRS parcels, in the amount of \$0.0242, is calculated from volume variable costs. If you do not confirm, please explain.
- h. In Exhibit E, please identify any fixed costs used in the calculation of the unit cost of delivery for BPRS parcels.
- i. In Exhibit F, please confirm that the unit cost of postage due for BPRS parcels, in the amount of \$0.0398, is calculated from volume variable costs. If you do not confirm, please explain.
- j. In Exhibit F, please identify any fixed costs used in the calculation of the unit cost of postage due for BPRS parcels.

RESPONSE:

- a. Confirmed
- b. N/A. Please see response to part a.
- c. Confirmed
- d. N/A. Please see response to part c.
- e. Confirmed.
- f. N/A. Please see response to part e.
- g. Confirmed. The estimated costs are volume variable costs. Although the cost of a truck's leaving a postal facility and traveling to a mailer's plant is essentially the

same whether the truck is holding one or one thousand parcels, the unit cost will rise if small volumes violate the implicit assumption that it is appropriate to use average unit costs.

- h. N/A. Please see response to part g.
- i. Confirmed. The estimated costs are volume variable costs. For one of the postage due methodologies, weight averaging, the cost vary with volume in more of a step-function. For this postage due method, the container of parcels is weighed. The cost of weighing a container is essentially the same whether it holds one or five hundred parcels. However, the cost varies with volume as volume dictates the number of containers and the type of methodology used to calculate postage due.
- j. N/A please see response to part i.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Scott L. Reiter

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
December 21, 1999